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Final Panel Working DRAFT

December 2006

CHAPTER 7

REPORT ON FEDERAL PROCUREMENT DATA

REPORT OF THE ACQUISITION ADVISORY PANEL

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Report on Federal Procurement Data

PART I – Background

Government Efforts to Track Contract Spending

A. Introduction

The Panel's decision to develop findings and recommendations related to the government's procurement data was the result of its efforts to obtain such data in support of the various working groups of the Panel. The Federal Procurement Data System – Next Generation (FPDS-NG) is the only governmentwide system that tracks federal procurement spending. The system does not track any other kind of federal expenditures such as grants or loans. The Panel's results with obtaining usable data were mixed. Based on these experiences, we believed we might be able to identify some opportunities to improve the reliability and transparency of data on procurement spending. While the Panel has attempted to address the accuracy of data in general and the transparency of it in particular, this report is not a full scale review of FPDS-NG, but rather the result of the Panel's targeted requests for data.

And despite some frustration, the Panel recognizes that the FPDS-NG system was newly implemented in 2004, achieving a remarkable migration of 10 million transactions from the legacy system, and, as such, should not be subject to blanket criticism. The Panel has, after all, obtained important insights through this data, bringing to light the prescience of Congress in directing this Panel to review interagency contracts and which supports GAO's inclusion of these contracts on its High Risk series in 2005. However, the Panel did meet with some significant frustrations that it has attempted to address.

B. History of the Federal Procurement Data System

In 1972, the Commission on Government Procurement reported that no single Government organization was responsible for collecting and reporting on what executive agencies were buying or the total value of those purchases.¹ The Commission found that

- The Congress needs this basic information to make informed decisions on matters of broad public policy relating to procurement programs.
- The executive branch needs this information to determine the policy necessary for managing the procurement process.
- Interagency support activities need this information to develop and improve the services offered.

¹ Final Report of the Commission on Government Procurement, Part D, *Acquisition of Commercial Products*, Ch. 2 (December 1972).

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- Suppliers need this information to develop programs to service the Federal market. Full information creates a more competitive market place and provides a better opportunity for individual suppliers to compete.

To meet these needs, the Commission recommended establishing a system for collecting and disseminating procurement statistics. Congress passed the Office of Federal Procurement Policy Act (Public Law 93-400) in August 1974, which, in part, required the Administrator of the Office of Federal Procurement Policy (OFPP) to establish such a system.

A committee, representing twelve agencies, studied the existing procurement management systems of the Department of Defense, National Aeronautics and Space Administration, and the Department of Health, Education and Welfare. The committee's July 1975 report stated that the new system should be designated as the Federal Procurement Data System (FPDS) and reports issued by the system should answer the following questions:

- Who are the agencies doing the procuring?
- What products or services are procured?
- What contractor is providing the products or services?
- When were the procurements awarded?
- Where is the place of performance?
- How was the product or service procured (e.g., negotiation authority, pricing provisions, extent of competition, and set asides).

In February 1978, the Administrator of OFPP issued a memorandum that established the system and advised the Departments and agencies that DoD would act as executive agency for OFPP and manage both the system and the Federal Procurement Data (FPDC). The memorandum also established a Policy Advisory Board chaired by OFPP and issued a manual on reporting procedures. The first data was to be reported to FPDC in February 1979 beginning with data collected for the first quarter of fiscal year 1979. In 1982, this responsibility was transferred to the General Services Administration (GSA), where it remains today.

The initial reporting requirements covered 27 data elements reported on each individual procurement (or modification) in excess of \$10,000. These reports were to be uniform, showing the same 27 data elements for each procurement then forwarded to the FPDC responsible for consolidating the information for each agency and reporting to Congress, the Executive branch and industry. The Federal Procurement Report has been published every year since.

C. Technology

The original FPDS was maintained on an IBM mainframe computer. The system used numerous COBOL programs and stored the data on magnetic tape. Processing the data required more than one hundred steps. Maintaining COBOL programming and still residing on a mainframe computer, the second generation was released in 1987. The third generation saw the

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system move in-house and was based on an Oracle relational database management system. It allowed for online data entry and provided hourly batch processing. But it relied on agency feeder systems that were responsible for some variances between the actual agency award data and FPDS data. These systems also had hidden costs, often requiring contracted support for each change to the data collection system. The time and resources involved with modifying these feeder systems meant that changes to the data collection requirements could only be made once a year. And the system also did not permit user retrieval of data. Requests for data that fell outside of the information in the yearly Federal Procurement Report had to be specially processed by FPDC staff.

In 2000, leadership from OFPP, DoD, and GSA decided to employ the ongoing initiatives of the Change Management Center (CMC) under the leadership of the Deputy Under Secretary of Defense (Acquisition Reform) to innovate the FPDS. The CMC used a “Rapid Improvement Methodology” that brought together stakeholders to identify and implement process improvement. A Rapid Implementation Team (RIT) was tasked to develop a business case and outcomes for a reengineered FPDS. This RIT conducted meetings in the summer of 2000 and included participation from OFPP as well as

Secretary of Defense (OSD)
Military Services
Veterans Affairs
GSA (including the FPDC)
Department of Education
Department of Transportation
Environmental Protection Agency
Small Business Administration
Internal Revenue Service
Department of Commerce
Department of Treasury
Small Agency Council

The efforts of this team eventually resulted in a solicitation to acquire a new governmentwide electronic data collection and management information system, to be known as the Federal Procurement Data System – Next Generation (FPDS-NG). The overall goal of the acquisition was to

“...reduce the overall cost of data collection and to provide a timely and accurate management information by implementing a system that interoperates with agency electronic procurement systems that report data into the Government’s central database and other electronic commerce systems.”²

² FPDS-NG solicitation, GS00M02PDR0008, October 29, 2002, pg. C-4

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The contract was competed and awarded to Global Computer Enterprises, Inc. in April 2003. The system became operational in October 2003, entering into a transition period lasting two years, during which time the contractor was to work with federal agencies to ensure data transfer and integrate contract writing systems with the new FPDS-NG.³

D. A History of Criticism – Accuracy of Agency Reporting Questioned

From its inception, the Federal Procurement Data System has been plagued with claims that the data itself is inaccurate. These claims have often been misinterpreted as a *system* failure when, in fact, the GAO has been abundantly clear that the failure is largely one of inaccurate or untimely data input by the agencies responsible for reporting. The Government Accountability Office (GAO) performed its first review of the system in 1980, the first year a report was issued on governmentwide data from the system. At that time, only 27 data elements were required on each procurement action in excess of \$10,000. The GAO found that it was "...unlikely that accurate and complete Government-wide data for fiscal year 1979 will be available in the near future."⁴ The GAO cited the number of agencies late in reporting their data to the Federal Procurement Data Center (FPDC) and with respect to accuracy said

"Furthermore, we noted that, once fully operational and debugged, the system will still have limitations. For example, the system relies on the integrity of many individuals to prepare the individual Contract Action Reports and to prepare them correctly. If for some reason a report is not prepared, the data on the contract award will not enter the system. The Center has no means of knowing whether data is reported for all contracts.

The Center has developed a comprehensive edit program to enhance the accuracy of the data received. This edit program will detect inconsistencies and omission, such as identifying failure to complete or fill in any of the items shown on the reporting form. Nevertheless, errors can go undetected in certain instances. For example, if the wrong dollar amount or type of contract is reported, the Center would have no way of discovering the errors."⁵

³ U.S. General Accounting Office, *Improvements Needed to the Federal Procurement Data System – Next Generation*, GAO-05-960R (Washington, D.C.: September 27, 2005), pg. 1

⁴ PSAD-80-33, "The Federal Procurement Data System-Making It Work Better," page ii, Comptroller General's Report To The Chairman, Subcommittee on Human Resources, Committee on Post Office and Civil Service House of Representatives, April 18, 1980.

⁵ PSAD-80-33, "The Federal Procurement Data System-Making It Work Better," page ii, Comptroller General's Report To The Chairman, Subcommittee on Human Resources, Committee on Post Office and Civil Service House of Representatives, April 18, 1980, pg. 9

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Section 10 of the OFPP Act Amendments of 1988 (P.L. 100-679) required OFPP, in consultation with the Comptroller General, to conduct a study and report to Congress on the extent to which the data collected by the FPDS were adequate for the management, oversight, and evaluation of Federal procurement. The study was based on public comment, interviews with stakeholders, and responses to questionnaires from agencies, industry, and congressional staffs. For instance, the House Information Systems (HIS) Office told OFPP that they believed that greater attention was needed to improve accuracy and timeliness of the existing data rather than expansion of the number and types of data elements collected.⁶ Industry also expressed concerns. The Professional Services Council (PSC) was critical of the system design, the classification system for professional and technical services, and accuracy in general. On the latter, OFPP reported PSC as stating

“PSC’s informal review of the FPDS file revealed errors in a number of the data fields, most obviously in the dollar obligations for contract activities. PSC strongly urges the application of professional quality-control standards to all aspects of FPDS data collection, coding, editing, and processing. No user of the FPDS is served well by erroneous data.”⁷

In a 1994 GAO letter to the Administrator of OFPP, GAO stated that

“...the Center does not have standards detailing the appropriate levels of accuracy and completeness of FPDS data. We also found that some users perceive that FPDS data could be more accurate and complete. These users have identified instances where contractor names and dollar amounts were erroneous. We believe developing standards for FPDS data accuracy and completeness, then initiating a process to ensure that these standards are met, would improve data accuracy and completeness.”⁸

In an October 2001 review of the Historically Underutilized Business Zone (HUBZone) program, GAO found that

“Reported HUBZone program achievements for fiscal year 2000 were significantly inaccurate. We found that the value of contracts awarded to HUBZone firms could be hundreds of millions of dollars different than the reported achievements...The inaccuracies resulted from data entry errors and insufficient guidance on how to

⁶ OFPP Report to the Congress, Study of the Federal Procurement Data System (FPDS) June 1989, pg. 39 (Appendix 4).

⁷ OFPP Report to the Congress, Study of the Federal Procurement Data System (FPDS) June 1989, pg. 35 (Appendix 4).

⁸ GAO Letter, AIMD-94-178R, OMB and GSA: FPDS Improvements

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report agency data. FPDC includes the inaccurate data in its annual report on federal procurement activities. As a result of data problems, the Congress and federal agencies cannot use this data to gauge the program's success or to ensure that the program is working as intended."

...hundreds of millions of dollars different than reported. Although the Federal Procurement Data Center (FPDC) caught some of the errors through inconsistencies flagged through their edit checks, FPDS officials said that they had neither the knowledge to correct the data nor the authority to require agencies to correct them."⁹

The GAO August 2003 review of task and delivery orders resulted in yet more criticism, identifying errors and noting

"...we identified numerous other FPDS data errors during the course of our review. We, therefore, limited our use of FPDS data to identifying general multiple-award contract trends, as shown in figure 1, and to selecting our sample. We will be providing additional information on FPDS errors in a separate letter."¹⁰

And more of the same followed in September 2003, with a GAO review of yet another program:

Because the Federal Procurement Data System contains unreliable data about the simplified acquisition test program, GAO was unable to determine the extent to which federal executive agencies – including DOD – have used the test program and have realized any benefits. Specifically, the database indicated that the Departments of Treasury, Defense, and Justice were the three largest dollar-value users of the test program in fiscal year 2001 (the latest year with complete data available). But GAO found that FPDS either overstated or understated use of the test program by millions of dollars.¹¹

But significantly, GAO found these problems were perpetuated in FPDS through inaccurate agency reporting. For instance, after reviewing their files, two DoD buying agencies

⁹ U.S. General Accounting Office, *Small Business: HUBZone Program Suffers from Reporting and Implementation Difficulties*, GAO-02-57 (Washington D.C.: Oct. 26, 2001), page 1.

¹⁰ U.S. General Accounting Office, *Contract Management: Civilian Agency Compliance with Revised Task and Deliver Order Regulations*, GAO-03-983 (Washington D.C.: Aug. 29, 2003).

¹¹ U.S. General Accounting Office, *Contract Management: No Reliable Data to Measure Benefits of the Simplified Acquisition Test Program*, GAO-03-1068 (Washington D.C.: Sept. 30, 2003).

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that reported a combined \$146 million in test program transactions, said that, in fact, *none* of the reviewed actions, a large dollar sampling of all actions they reported, were done under the test program. Other agencies were found to have similar reporting inaccuracies.¹²

In a December 2003 letter to OMB, GAO related these long-standing concerns stating that their letter "...conveys our serious and continuing concerns with the reliability of the data contained in the Federal Procurement Data System (FPDS)...."¹³ The letter goes on to express GAO's optimism about the new FPDS-NG system but cautioned that the

"Information in FPDS-NG can only be as reliable as the information agencies enter through their own systems. In the long term, data reliability should improve as agencies fund and implement electronic contract writing systems."¹⁴

The following summer, OMB issued a letter to agencies and the President's Management Council addressing these GAO concerns and laying out a series of steps for agencies to take to prepare for effective interface with the new FPDS-NG. These steps included a documented quality assurance program and assigning the resources and funds to ensure that major buying activities had contract writing systems capable of transferring data to the new system.

GAO again sent a letter to OMB in September of 2005 addressing its concerns that the largest contracting agency, DoD, representing 60 percent of the contracting actions, had yet to accomplish a machine-to-machine interface with FPDS-NG and had twice delayed its plans to do so. The delay, said GAO, would impact the ability of FPDS-NG to report accurate and timely data. This letter also raised questions about the system's ability to capture information on interagency contracting transactions stating that their attempts to do so had been unsuccessful. While recognizing that full implementation had not been accomplished, GAO provided some recommendations for improvement including working with DoD and other agencies to ensure full electronic interface, easing the use of the Standard and Ad-Hoc reporting tools added to the system, and, finally, to assess whether FPDS-NG was the appropriate tool to collect interagency contracting data.¹⁵ In response to GAO's letter, OMB and GSA officials concurred with the recommendations and said it was a top priority to ensure DoD connected its contract writing system to FPDS-NG. OMB advised that FPDS-NG had a limited role in reporting on interagency contracting and GSA cautioned that FPDS-NG was never intended to collect and report information regarding financial transactions between government agencies.

¹² U.S. General Accounting Office, *Contract Management: No Reliable Data to Measure Benefits of the Simplified Acquisition Test Program*, GAO-03-1068 (Washington D.C.: Sept. 30, 2003).pg. 6

¹³ U.S. General Accounting Office, *Reliability of Federal Procurement Data*, GAO-04-295R (Washington, D.C.: Dec. 30, 2003), pg. 1

¹⁴ U.S. General Accounting Office, *Reliability of Federal Procurement Data*, GAO-04-295R (Washington, D.C.: Dec. 30, 2003), pg. 3

¹⁵ U.S. General Accounting Office, *Improvements Needed to the Federal Procurement Data System – Next Generation*, GAO-05-960R (Washington, D.C.: September 27, 2005), pg. 5

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Since the time of this letter, OFPP and GSA have worked closely with DoD and a fully operational interface is expected by December 2006. The Panel notes that, unlike GAO, the Panel staff did not have difficulty accessing and obtaining data from the Standard Reports template. However, much like GAO, Panel staff was not prepared to effectively use the Ad-Hoc reporting function of FPDS-NG even after training. This may well have been because the Panel's data requests have been quite complex. GSA has since upgraded that tool to provide a more user-friendly experience. And while the Findings section of this report will address the problems encountered in obtaining certain interagency contract information, the Panel was able to obtain basic, high level information about interagency contracting from FPDS-NG.

On September 26, 2006, nearly a month after the Panel's last public meeting, the President signed the Federal Funding Accountability and Transparency Act of 2006, a bipartisan sponsored Senate bill that would require OMB to oversee the development and maintenance of a single online and easily searchable web site, free to the public, that would provide disclosure of information related to the entities and organizations that received federal funds. Clearly, while this is out of the scope of FPDS-NG, it would seem that the nearly 25 years of findings on the inaccuracy of data have taken their toll. In the Senate Committee Report, a discussion of the available systems provide part of the data, states:

“There are a number of weaknesses with FPDS that make it ineffective for providing timely, accurate information on procurement actions: first, not every agency is required to report to FPDS, meaning that the only way to gain an accurate count of procurement spending is to ask each agency individually. Second, the database is undependable, often providing data that is unusable or unreliable.”¹⁶

¹⁶ S. Homeland Security and Governmental Affairs, Comm., Federal Funding and Accountability Transparency Act of 2006, S. Comm. Print, 109-329 (2006)

PART II – Findings

What the Panel Learned from and about FPDS-NG

A. Introduction

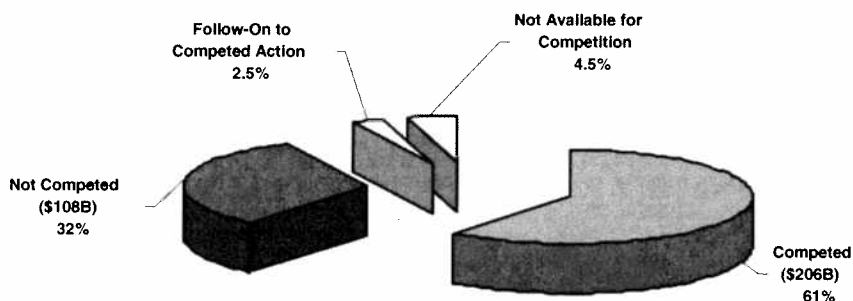
FPDS has collected a significant amount of data over the years. The Federal Procurement Reports that have been published each year for a quarter of a century provide tremendous insight into the changing nature of federal procurement. And the government and public thirst for more data has resulted in an increase from collecting information on 27 data elements for each award in excess of \$10,000 in 1979 to the collection of 150 data elements for each award over \$3,000 today.

Given the Panel's charter, its attention was quickly drawn to the newly available information on interagency contracts, data recently added to the collection requirements. But because there were many ongoing orders and contracts, it is not possible at this time to conduct trend analysis. This is an inherent problem when adding new reporting requirements to procurements that have already been reported using old requirements. But what the Panel learned was quite astonishing. In fiscal year 2004, the government spent 40% of its procurement dollars under interagency contracts.

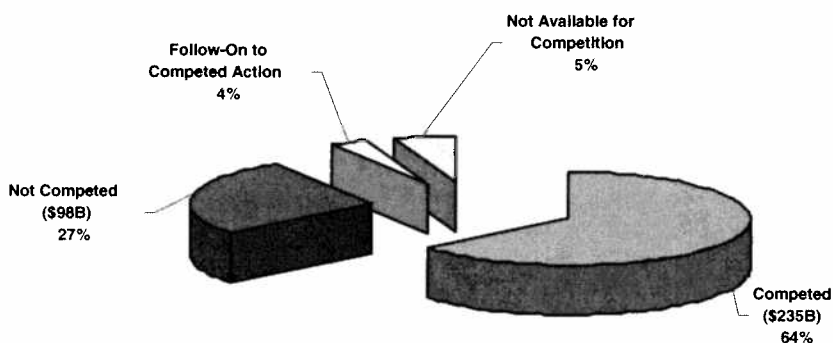
In general, the Panel found that FPDS-NG data at the highest level provides significant insight. However, the reliability of that data, especially on these new reporting elements, begins to degrade at the more granular level due to data specificity on elements for which those reporting may have less familiarity and training.

The following charts provide high level data based on the standard report currently available at <http://www.fpds.gov>. Standard reports allow the public to obtain data on certain elements of federal procurement spending based on time periods defined by the user. The following information was based on the standard competition report for fiscal years 2004 and 2005. The total obligations for these standard reports is calculated on a base that is different from total obligations reflected elsewhere in the Panel's report.

**FPDS-NG FY 2004 Competition Report -
Supplies and Services (Total Obligations =
\$338B)**

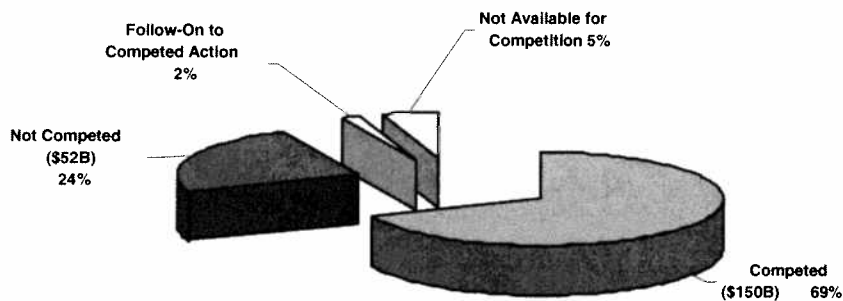


**FPDS-NG FY 2005 Competition Report - Supplies
and Services (Total Obligations = \$365B)**



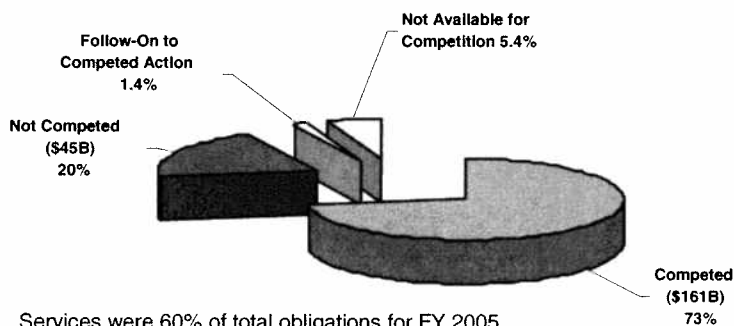
The following charts are based on data that is not available through a standard report and was provided by FPDC in response to a Panel request:

**FPDS-NG FY 2004 Total Services by Extent
Competed (Total Obligations = \$216B)**



Services were 64% of total obligations for FY 2004 based on comparison with Standard Report "Competition Report."

**FPDS-NG FY 2005 Total Services by Extent
(Total Obligations = \$220B)**

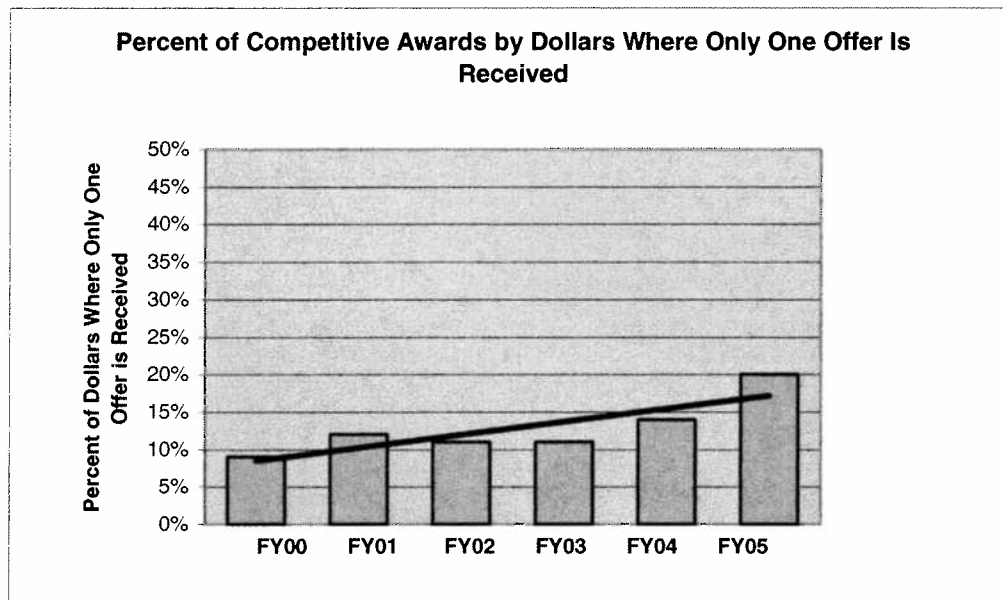


Services were 60% of total obligations for FY 2005 based on comparison with Standard Report

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Many other requests for data were provided by the FPDC and reported elsewhere in this report, including the amount of procurement dollars spent under interagency contracts (40% or \$142 billion) and the breakout of that spend between services (62%) and products (38%). This information was very helpful to the Panel. However, below this level of specificity, the Panel faced a frustrating reality.

B. Findings

1. Competition data on orders under Interagency Contracts is unreliable

Initial reports provided to the Panel indicated that orders under these interagency contracts were achieving high levels of competition. But closer inspection revealed a troubling fact. The “extent competed” element for the overwhelming majority of orders was reported as “Full and Open Competition.” This terminology should not apply at the order level where fair opportunity is the yardstick of competition. A review of the data system and the user’s manual indicated that the appropriate distinctions were being made during the collection of the data, namely, the selection of either competitive or non-competitive delivery order and, if the latter, the system was designed to force the selection of a fair opportunity exception. So why were the reports showing less than 1% of awarded value as competitive or non-competitive orders with the majority of orders being reported as “Full and Open Competition?” FPDC staff began to investigate and discovered a few underlying causes.

First, validation rules for competition changed in the new FPDS-NG and again in the second year of the system. Civilian agencies developed data conversion rules in this transition. Prior to December 2004, the legacy FPDS User Manual instructed agencies to use the same

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“extent competed” options as were available on definitive contracts (e.g., full and open competition). In December 2004 this policy was changed to allow for a clear choice at the order level, competitive or non-competitive delivery order, with an accompanying validation rule that would require the selection of an exception to fair opportunity for non-competitive delivery orders. While this was implemented, the validation rules are not functioning as intended. Second, all DoD Federal Supply Schedule orders are automatically coded by DoD as “full and open competition.” Finally, most of the other orders derived their extent competed from the master contract.

2. Current value and estimated value of orders under Interagency Contracts is not available from migrated data

The legacy FPDS system collected a single “Dollars Obligated” field. Although the benefit of the estimated, current and ultimate value was identified, at the time of migration, existing legacy systems did not capture or collect this data as part of the business process. As with all the additional elements, they were only collected on new transactions.

3. Current value and estimated value of orders under Interagency Contracts is not entered correctly by agencies

The instructions for reporting were unclear until the posting of a new user’s manual with guidance and specific examples. The system is designed to do the math. Agency personnel were supposed to enter only the value of a modification, such as an option. The system would then add that value to any previously entered value to arrive at the value-to-date. But agency personnel were inputting the cumulative value with the modification. The system would then add that to the previous value to arrive at a highly overstated current value. It was this problem that forced the Panel to use only transactional data.

4. Inaccurate user data entry compromises the usefulness of data

Finding 3 above illustrates this point. Without the current and projected value of orders, the dollars associated with these contracts cannot be understood. But this was certainly not the only example of inaccurate user data found. DoD confirmed that they were surprised that the Department had spent \$185 million in soybean farming between fiscal years 2000 and 2005. Department officials thought a more likely explanation could be found in looking at the long NAICS code list. The NAICS code for soybean farming is listed first suggesting that it is simply selected to avoid going through the entire list. This impacts the government’s understanding of its spending behavior while preventing contractors from using the system for market research. DoD’s automatic coding of GSA Federal Supply Schedule orders obfuscates the actual competitive nature of potentially billions of dollars in public expenditure. Impossible pairings of Supply and NAICS codes were uncovered, billions of dollars of GSA Federal Supply Schedule orders were identified as non-commercial, another \$10 billion was either not reported by agencies or mischaracterized as something other than a GSA schedule order. Frequently,

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agencies failed to accurately identify the type of interagency contract their order fell under with schedule orders identified as GWACs or other multiple award contract.

When the Panel attempted to identify the amount of commercial vs. non-commercial spending, it found that billions of dollars in GSA Federal Supply Schedule orders had been, curiously enough, coded as non-commercial, despite the fact that all schedule offerings are, by definition, commercial. And finally, the Panel's own survey of PBA contracts and orders revealed that of the randomly selected files, a full 42% were clearly not PBA. Several agencies admitted to mistakes or erroneous coding of the transaction in FPDS-NG.

5. The OFPP Act does not currently assign responsibility for accurate and timely data reporting within the agency except for a general description of the files to be maintained by "Executive Agencies" and transmitted to FPDS.

6. Data on interagency contract ordering trends is not readily available for analysis

FPDS-NG has dozens of standard reports and an ad-hoc query capability but the data needed for this type of interagency contract analysis had to be specially created. The data element is new and there was little familiarity with it initially. Previously the interagency contracts were not entered into the FPDS legacy system because that system only tracked dollars obligated, so now the base contract data for orders reported in FPDS-NG is not available for older contracts and must be derived from orders. Logic for new transactions and reports was not focused on this data.

7. FPDS was not designed to provide sufficient granularity for spend analysis and strategic decisions

Product and Service Codes (PSC) and NAICS codes are generally too broad for this type of analysis in support of strategic decisions. And while there is a "Description of Requirement" element, it is a free form text field, which doesn't lend itself to the analysis of large amounts of data. There are additional classifications used in two on-line ordering systems (GSA Advantage! and the DoD Email) but these are not passed on to agency contracting or finance systems. Both these on-line systems use the UN Standard Product Service Codes (UNSPSC).

8. FPDS-NG relies on voluntary contributions from the Agencies for operational and enhancement funding.

FPDS-NG is part of the Integrated Acquisition Environment (IAE) funded by agencies. IAE is part of the E-Gov initiatives aimed at integrating and leveraging the investments in automation across agencies and move toward a shared services environment. All cross agency common systems such as FedBizOps, Central Contactor Registration and FPDS-NG are funded and governed by agencies to ensure buy-in and consistency.

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9. a) FPDS data only pertains to use of taxpayer funds in acquisition of products and services. A substantial amount of taxpayer funds are provided by federal agencies to entities for products and services through grants, cooperative agreements, Other Transactions and inter-agency service support agreements (ISSAs).

b) Taxpayers should be provided the maximum level of transparency on the use of their tax dollars through contracts, grants, cooperative agreements, and inter-agency service support agreements (ISSAs). Transparency can be greatly enhanced by providing a single, integrated, web-accessible database for search by the public on the use of grants, contracts, cooperative agreements, Other Transactions and ISSAs. Such a data system should, at the least, allow the public to search for net awards of taxpayer funds to specific companies, organizations, or governmental entities.

PART III – Recommendations

What the Panel Learned from and about FPDS-NG

A. Introduction

B. Recommendations

1. OFPP shall ensure that FPDS-NG corrects the reporting rules for competition immediately.

The unavailability of competition data at the order level combined with the current status of interagency contracts on the GAO High Risk series erodes the public trust in a critical acquisition tool for streamlining. Therefore, it is imperative that the data reflect the actual level of competition on the order, not on the master contract level. With 40% of procurement dollars awarded under these orders, ensuring they are awarded using an appropriate level of competition to ensure the taxpayer reaps the benefits of competition.

2. OFPP shall ensure that validations apply equally to all agencies unless there is a statutory reason to differ.

During the Panel's review of the reports on competition of orders under interagency contracts, the Panel was perplexed as to why there were so many differences in the way civilian and DoD agencies capture this information. While the rules are the same, for instance, on the use of fair opportunity, the structure of the collection of this information differs for civilian and DoD agencies, with DoD maintaining separate reporting instructions and requiring separate maintenance and then harmonization of the data for governmentwide reporting purposes. This is inefficient given that the data itself is the same for both DoD and the civilian agencies. Both methods are acceptable for determining the level of competition at the order level and either would work for both DoD and the civilian agencies. The Panel recommends that for efficiency, a single uniform approach should be employed unless there is a statutory reason to differ.

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3. An Independent Verification and Validation (IV&V) should be undertaken to ensure all other validation rules are working properly in FPDS-NG.

The Panel recognizes that there is a cost associated with IV&V that was not anticipated in the fiscal year 2007 budget. This may mean already scheduled priorities might be delayed. However, ensuring that the system is functioning as intended is essential given the volume of transactions entered into the system in a single year, over 10 million in fiscal year 2004.¹⁷

4. Congress should revise the OFPP Act to assign responsibility for timely and accurate data reporting to FPDS-NG or successor system to the Head of Executive Agency

The Panel recognizes the value that increasing integration between the various agency contract writing systems and FPDS-NG offers. But given the Panel's findings and the depressingly long history of criticism launched by the GAO at agency data accuracy, the Panel believes that accountability must be instituted at all levels of the organizational structure. This is an ingredient in ensuring that accuracy and timeliness is elevated through the mechanism of leadership to the field. Only assigning specific responsibility at a leadership level will encourage the elevation of accuracy to those entering data. The Panel provides specific amendatory language at Appendix A.

5. Agencies shall ensure that their workforce is trained to accurately report required contract data. The training should address the purpose and objectives of data reporting to include:

- a. Improving the public trust through increased transparency
- b. Providing a tool for sound policy-making and strategic acquisition decisions

While system validation rules, addressed in recommendation 3, are an efficient means of ensuring accuracy, these rules can only identify omissions and eliminate internal reporting contradictions. The GAO's first review of FPDS, quoted in the background section above, accurately identified the limits of such system rules, noting that the system relies on the integrity of many individuals for correct reporting.¹⁸ We note that the current FPDS-NG User's Manual is nearly 100 pages covering approximately 150 data elements. The Panel's recommendation on training includes an emphasis on the purpose and objectives of data reporting. Reinforcing these may help to ensure that those who enter data understand the value of what they are doing.

¹⁷ Testimony of Teresa Sorrenti, Program Manager of the Integrated Acquisition Environment, February 23, 2006 pg. 248

¹⁸ PSAD-80-33, "The Federal Procurement Data System-Making It Work Better," page ii, Comptroller General's Report To The Chairman, Subcommittee on Human Resources, Committee on Post Office and Civil Service House of Representatives, April 18, 1980, pg. 9

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6. OMB should establish, within 90 days of this report, a standard operating procedure that ensures sufficient and appropriate Department and Agency personnel are made available for testing changes in FPDS-NG and participating on the Change Control Board

The Panel believes it is essential for the continued maintenance of the system that the Departments and Agencies provide both operational and policy expertise as warranted. Full testing suffers if agencies are not sufficiently bound to participate. The problem identified with the validation rule might have been caught earlier if there were more robust testing. The Panel heard from one FPDC staff member that there are times when only one individual is available to test large numbers of changes.

7. Agency internal reviews (e.g., Procurement Management Reviews, Inspector General audits) should include sampling files to compare FPDS-NG data to the official contract/order file

To reinforce the need for greater accuracy, the Panel recommends that internal agency Procurement Management Reviews and IG audits include a comparison of FPDS-NG data to the official contract/order file. This should not be a stand-alone audit of the accuracy of this data, but rather a standard element considered, on an on-going basis, during any review the agency undertakes to provide consistent oversight in this area.

8. The OFPP Interagency Contracting Working Group should address data entry responsibility as part of the creation and continuation process for interagency and enterprise-wide contracts.

This recommendation addresses the concerns expressed by the GAO when reviewing interagency contracts and determining that there is not always a clear delineation of the roles and responsibilities between ordering agencies, contract holders, and the user.

9. The Government Accountability Office (GAO) should perform an audit that covers not only the quality of FPDS-NG data but agency compliance in providing accurate and timely data.

During its review of data concerns, the Panel spoke with GAO officials who told us that they intended to perform another audit of FPDS-NG. The Panel recommends that this audit cover agency compliance in providing accurate and timely data as an integral element to assessing the quality of FPDS-NG data.

10. OFPP should ensure that FPDS-NG reports data on orders under interagency and enterprise-wide contracts, making this data publicly available (i.e., standard report(s)).

The OFPP Interagency Contracting Working group shall provide the specific guidelines consistent with the reports requested by the Panel to include competition information at the order

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level sufficient to answer, at a minimum: Who is buying how much of what using what type of indefinite delivery vehicle and if not buying it competitively, what exception to fair opportunity applies? Other considerations, such as pricing arrangements, socio-economic status, number of offers received, fee information, and PBA should be considered when designing the report.

11. The FPDS-NG report provided to the Panel that shows the dollar transactions by Agency and by type of interagency vehicle (e.g., FSS, GWAC, BPA, BOA, other IDCs) and Product or Service Code should be made available to the public in the short term.

While the information contained in these reports does not provide the level of insight the Panel eventually seeks and recommends under recommendation 10 above, these reports do provide some transparency and they should be made available to the public. The Panel believes that transparency imparts positive pressure that may elevate the need to improve and expand the data to meet the standard of transparency warranted by the \$142 billion spent on these contracts. The FPDC is working to post these reports now. They will be available at their website at <http://www.fpds.gov>.

12. OFPP should devise a method and study the cost-benefit of implementing additional data reporting requirements sufficient to perform strategic sourcing and market research within and across agencies.

13. OFPP should seek agency and industry perspective to determine if the UNSPSC classification or some other classification system is feasible as a new data element if the scope of data collection is expanded.

During its public deliberations, there was significant debate on the recommendation regarding granularity. One point of view was that the Panel's recommendation must direct OFPP to develop requirements that would result in the government being able to determine exactly what goods and services it buys. This perspective notes that without this direction, the government will continue to collect data but it will not be sufficient to leverage the government's buying power to make strategic sourcing decisions. Others were concerned with the volume of work this would create for buying organizations to identify and report this level of specificity and their concerns with how this could be accomplished especially with regard to services. While all agreed that the current system was not intended nor designed to provide the level of granularity necessary for spend analysis and strategic sourcing, the Panel could not agree to direct this level of granularity. Instead, it recommends two interim steps beginning with a cost-benefit analysis and including industry input on the feasibility of identifying such data if the scope of data collection were expanded to collect it.

14. OMB shall ensure that Agencies provide sufficient funds to ensure that these systems are financed as a shared service based on levels agreed to by the CAO Council and OFPP sufficient to support the objectives of the systems

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Again, there was significant debate regarding the funding of FPDS-NG. Some members were concerned that there should be a sustained source of funding through an appropriation arguing that there is a cost to doing business and if collecting and reporting on what the government buys is of value, then the government should recognize this and fund it. This point of view believed that collecting the money from agencies via a “pass the hat” process put FPDS-NG in an unstable funding position with too many other competing interests at the agency level. But those favoring the “pass the hat” method said it is currently working to support the needs of the Integrated Acquisition Environment, including FPDS-NG. However they recommended that those agencies that budget for the IAE need to also ensure they actually provide those funds when the time comes. Therefore, the Panel generally settled on a recommendation which would have OMB ensure that the funds agencies provide are sufficient to ensure that the systems are financed as a shared service and sufficient to meet the objectives of the system.

15. Within one year, OMB shall conduct a feasibility and funding study of integrating data on awards of contracts, grants, cooperative agreements, inter-agency service support agreements (ISSAs) and Other Transactions through a single, integrated and web-accessible database searchable by the public.

The Panel acknowledging that FPDS-NG is only intended to provide data on expenditures through contracts, recognized the ongoing discussion in Congress of a bipartisan sponsored bill that would provide visibility into the volume of monies expended through grants, cooperative agreements, ISSAs and Other Transactions as well as contracts. The Panel recommended a feasibility and funding study as an interim step.¹⁹

¹⁹ This recommendation has been overtaken by events. In August 2006, the Congressional Budget Office (CBO) released an estimate of \$15 million for implementing S. 2590, the Federal Funding and Accountability Transparency Act of 2006. The President signed the bill into law on September 26, 2006 and OMB is currently working towards implementation.

Appendix A - DRAFT STATUTORY REVISION FOR RECOMMENDATION #4:

41 U.S.C. § 417

United States Code Annotated Currentness

Title 41. Public Contracts

Chapter 7. Office of Federal Procurement Policy (Refs & Annos)

§ 417. Record requirements

(a) Establishment and maintenance of computer file by executive agency; time period coverage

Each executive agency shall establish and maintain for a period of five years a computer file, by fiscal year, containing unclassified records of all procurements greater than the simplified acquisition threshold in such fiscal year.

(b) Contents

The record established under subsection (a) of this section shall include--

(1) with respect to each procurement carried out using competitive procedures--

(A) the date of contract award;

(B) information identifying the source to whom the contract was awarded;

(C) the property or services obtained by the Government under the procurement; and

(D) the total cost of the procurement;

(2) with respect to each procurement carried out using procedures other than competitive procedures--

(A) the information described in clauses (1)(A), (1)(B), (1)(C), and (1)(D);

(B) the reason under section 253(c) of this title or section 2304(c) of Title 10, as the case may be, for the use of such procedures; and

(C) the identity of the organization or activity which conducted the procurement.

(c) Record categories

The information that is included in such record pursuant to subsection (b)(1) of this section and relates to procurements resulting in the submission of a bid or proposal by only one responsible source shall be separately categorized from the information relating to other procurements included in such record. The record of such information shall be designated "noncompetitive procurements using competitive procedures".

(d) Transmission and data system entry of information

Heads of Executive Agencies shall ensure the timely and accurate transmission of the
information included in the record established and maintained under subsection (a) of this

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section ~~shall be transmitted~~ to the General Services Administration **for entry** and ~~shall be entered into~~ the Federal Procurement Data System or successor system referred to in section 405(d)(4) of this title.